

Risk Management for Businesses Operating in Africa

Miners go where the minerals are – and this often leads them to remote, undeveloped and frequently hostile environments around the world.

With over 140 publicly traded mining companies currently operating across Africa, Canadian miners certainly aren't afraid to venture into 'higher risk' countries on the African continent.

Yet, many of these companies are doing so in blind ignorance and with disregard to security and safety, as a group of 50 mining executives, service providers and government representatives learned during a recent seminar on 'Risk Management for Businesses Operating in Africa'.

Organised by the Canada-South Africa Chamber of Business, the half-day seminar focused on all aspects of security and how businesses can mitigate these risks when operating in Africa (or any other 'higher risk' or challenging jurisdiction). The event was held in Toronto, a world centre for mining that accounts for some 40% of the total global equity raised for mining exploration and development each year.

Security costs can make up about 20% of a mining project's operating costs, according to international security expert Alan Bell, and yet most companies don't factor this into their budget. Nor do they develop a security plan – and are caught unprepared when a crisis develops.

Security issues are complex, far-reaching and woven into every aspect of a mining operation. For example, consider the impacts and implications of the following issues:

- Locally engaged and ex-pat staff may require security protection
- Physical assets such as pipelines and plants require security protection in remote areas
- Physical assets can be insured to transfer risk
- Companies are frequently required to deal with local 'special' costs of doing business – such as bribes and dealing with corruption
- Canadian legislation (Bill C-45) dictates that Canadian companies must provide their employees the same rights and safety precautions they would enjoy in Canada, regardless of where they are working
- The potential loss of land or mineral rights due to regime changes
- Emergency management – responding to crises in remote areas with no telecommunications or medical infrastructure
- How does one deal with local security forces
- Security and sensitivity to the local operating environment (political, social, etc)

The keynote speech was delivered by Alan Bell, president of Globe Risk Holdings Inc, who was later joined for a lively panel discussion with a cross-section of risk experts including: Sophie Strezos-Egnatis, vice president of business

development at William J. Sutton & Co Ltd; Chris Hill, managing director at ITC Global Australia Limited; Darryl Levitt, strategic consultant of the Global Mining Group at Fasken Martineau; and Mark Rankin, principal of Integro Insurance Brokers.

The seminar was chaired by Chamber Board Member, Tyson Johnson, himself a long time security practitioner, having served with the Canadian Security Intelligence Service and as the current manager of physical security for TD Bank Group in Canada.

Copies of some of the presentations from the seminar can be downloaded at www.canadasachamber.com.

Founded in 1994, the Canada-South Africa Chamber is the premier business networking association promoting trade and investment between Canada and South and southern Africa.

By Wayne Floreani, a principal with MineAfrica – a business development company promoting mining investment into Africa – and a board member of the Canada-South Africa Chamber of Business.

Below: Tyson Johnson chaired the seminar that lead to some lively interactions between panellists and participants.

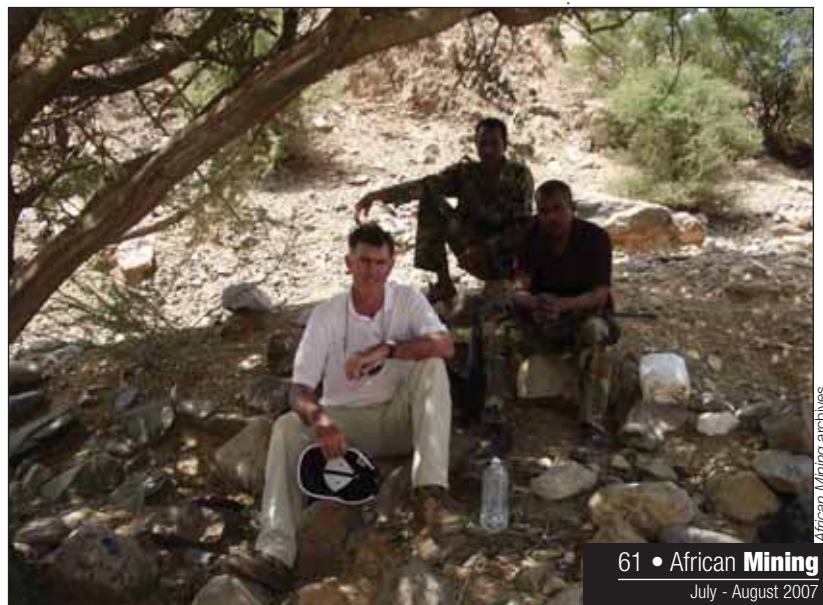
Bottom: Security issues are far-reaching, complex and woven into every aspect of a mining operation – taken seriously in the long run, it tends to more than return the investment.



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